Membership Report | July 2019
Financial Commentary
  - 2019 Budget/Actual Net Income
  - Actual/Budget Variance
  - Total Managed Assets – On- & Off-Balance Sheet

2Q Financial Review
  - Non-Interest Income Trends
  - Operating Expense Trends
  - Coverage Ratio

Liquidity Commentary
  - Historical Member Overnight Deposits
  - 2019 Average Monthly Member Borrowings

Interest Rate Risk/Net Economic Value Report – May 2019

Capital Commentary

Board Meeting Recap

Calendar of Events – August 2019
Net Income for June was $317,394, above budget by $57,275 or 22.0% for the month. Net interest income was $9,875 or 1.7% above budget due to higher balances. Non-interest income was more than budget $21,668 or 5.6% due primarily to higher commission income. Operating expenses were lower than budget by $22,786 or 4.0% due primarily to salaries and previously accelerated annual meeting accruals. CUSO income was under budget by $1,510 or 25.2%. Other gains/losses and PCC dividends were under budget by $4,455 or 3.3%. The year-to-date coverage ratio (fee income/operating expenses) is 72.2%, slightly higher than the goal of 71.7%.

Return on Assets (ROA) is in-line with the budget as the year-to-date ROA after June is 51.6 bps on average assets of $728.4 million for the first half of the year.

Millennium Corporate’s daily average net assets (DANA) for the previous 12-month period – which is used for the calculation of our capital ratios – was $634.6 million at the end of June, an increase of $12.9 million from the previous month.

Millennium Corporate is defined as “Well Capitalized” and we ended the month with Retained Earnings of $18,387,023, representing a Retained Earnings ratio of 2.90% and a Tier 1 ratio of 10.99%.
2019 Budget/Actual Net Income

- **J**: $0
- **F**: $100,000
- **M**: $200,000
- **A**: $300,000
- **J**: $400,000

Budget (green) and Actual (blue) net income for each month from January to December.
### YTD Actual/Budget Variance | Dollars

<table>
<thead>
<tr>
<th>June 2019</th>
<th>YTD (In Thousands)</th>
<th>Actual 2018</th>
<th>Budget 2018</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Income</td>
<td>$3,632.3</td>
<td>$3,421.1</td>
<td>$211.2</td>
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<tr>
<td>+ Non-Interest Income</td>
<td>$2,440.8</td>
<td>$2,435.5</td>
<td>$5.3</td>
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<tr>
<td>- Operating Expenses</td>
<td>$3,382.4</td>
<td>$3,412.3</td>
<td>$29.8</td>
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<tr>
<td>= Net Operating Income</td>
<td>$2,690.7</td>
<td>$2,444.3</td>
<td>$246.4</td>
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<tr>
<td>+ CUSO Gains/Losses</td>
<td>$39.0</td>
<td>$39.5</td>
<td>($0.5)</td>
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<tr>
<td>- Potential Patronage Rebate</td>
<td>$75.0</td>
<td>$75.0</td>
<td>$0.0</td>
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<tr>
<td>- PCC Dividends</td>
<td>$770.6</td>
<td>$784.3</td>
<td>$13.7</td>
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<tr>
<td>+ Other Gains/Losses</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
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<tr>
<td>= Net Income</td>
<td>$1,884.1</td>
<td>$1,624.5</td>
<td>$259.6</td>
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Total Assets | On- and Off-Balance Sheet

June 2019
Total Managed Assets - $1,641,130,344

- $826,676,907 (On-Balance Sheet)
- $814,453,437 (Off-Balance Sheet*)
The 2019 budget projected only a slight increase in Non-Interest Income compared to the previous year. After the first half of the year, non-interest income is on pace to exceed the budget by 0.2%.
Annualized Operating Expense Trends

Operating Expenses are lower than budgeted due primarily to salaries and financial services – offsetting the higher promotion expenses for “Open Your Eyes Initiative” and AIM marketing. After the first half of the year, operating expenses are $29,823 or 0.9% less than budget.
The 2019 Coverage Ratio was budgeted to decline to 71.7% - but for the first half of the year, the actual ratio was 72.2% due to better non-interest income.
Millennium Corporate did not access our FHLB Line-of-Credit (LOC) in June 2019. Millennium Corporate currently has a Collateralized LOC of $225.0 Million with the FHLB.

- Millennium’s liquidity options remain sufficient to meet member needs.
- Loan balances averaged $12.8 million in April; averaged $24.9 in May; averaged $25.6 million in June and have averaged $26.2 million during most of July.
- June 2019 month-end figures show SimpliCD issuance totals of $167.3 million and 26 users of this liquidity option.

Graphical representations of the seasonal activity of member overnight deposits since 2014, and average member borrowing activity for 2019 follow this commentary.
Historical Member Overnight Deposits

- $0
- $200,000,000
- $400,000,000
- $600,000,000
- $800,000,000

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec


$0 $200,000,000 $400,000,000 $600,000,000 $800,000,000

2019 Average Monthly Member Borrowings

![Bar chart showing average monthly member borrowings for each month of 2019. The highest borrowing was in January with over $50,000,000, followed by February with slightly over $40,000,000. The lowest borrowings were in September and October with under $10,000,000.]

- January: $56,000,000
- February: $40,000,000
- March: $15,000,000
- April: $10,000,000
- May: $25,000,000
- June: $20,000,000
- July: $8,000,000
- August: $5,000,000
- September: $4,000,000
- October: $9,000,000
- November: $20,000,000
- December: $30,000,000
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Net Economic Value (NEV)</th>
<th>NEV Dollar Change</th>
<th>NEV Percentage Change</th>
<th>NEV Ratio</th>
<th>Reg. Limits</th>
<th>Pass/Fail</th>
</tr>
</thead>
<tbody>
<tr>
<td>-300 bps Increase in Interest Rates</td>
<td>$73,460,949</td>
<td>+ $425,291</td>
<td>+ 0.58%</td>
<td>8.25%</td>
<td>Minimum Ratio – 2%</td>
<td>PASS</td>
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<td>Max % Change – (15%)</td>
<td>PASS</td>
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<tr>
<td>Base Case</td>
<td>$73,035,658</td>
<td>-</td>
<td>-</td>
<td>8.21%</td>
<td>Minimum Ratio – 2%</td>
<td>PASS</td>
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<tr>
<td>+300 bps Increase in Interest Rates</td>
<td>$72,271,666</td>
<td>($763,992)</td>
<td>(1.05%)</td>
<td>8.14%</td>
<td>Minimum Ratio – 2%</td>
<td>PASS</td>
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<td></td>
<td>Max % Change – (15%)</td>
<td>PASS</td>
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Millennium Corporate passes both the required minimum NEV ratio and the maximum change limitation in the +300 rate shock scenarios.
Capital Commentary

- Increase to Retained Earnings during the past 12 months, through June 2019, is $3,628,794.
- Retained Earnings ratio is 2.90% as of June 2019 versus 2.44%, one year ago.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate's June 2019 capital ratios, and the minimum regulatory requirement of each (where applicable).
  - Retained Earnings Ratio – 2.90% | Minimum Requirement – 1.00%
  - Tier 1 Capital Ratio – 10.99% | Minimum Requirement – 4.00%
  - Tier 1 Risk-Based Capital Ratio – 90.93% | Minimum Requirement – 4.00%
  - Total Risk-Based Capital Ratio – 90.93% | Minimum Requirement – 8.00%
  - GAAP Capital – 11.44%
Board Meeting Recap

Board of Director's Meeting – July 26, 2019

- Approved June 2019 Financial Statements & Committee Reports
- Approved May 2019 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management...
  - Corporate CU Alliance meetings on July 15-16 in Alexandria, VA to meet with all three NCUA Board members, ONES staff, CUNA, NASCUS and NAFCU
  - Results of the Automated Cybersecurity Examination Tool (ACET) examination/review KDCU/NCUA conducted in June
  - Millennium participated in the biennial meeting of Montana CU’s with state and federal regulators
  - Millennium co-sponsored with CUNA Mutual Group the Heartland CU Association CEO Summit in KC
  - Demo'd the new AIM website – click & buy functionality – portal for uploading & downloading reports
  - Reviewed the CEO Survey that will be sent to the membership in August
  - Discussed anticipated FOMC rate changes
  - July PCC rate will be 2.90% - 0.50% higher than the fed funds effective
Board Meeting Recap

Board of Director's Meeting – July 26, 2019

- Millennium has a tradition of ethical conduct and high integrity on the part of its volunteers and others associated with the operation of the credit union. Based on past discussions, the Board approved a Code of Conduct Policy.
- Management reviewed the status of the 2019 Measures and Targets as of the end of June
- Board completed training for AML/BSA, USA Patriot Act and OFAC – conducted by Lori Domian, Millennium Compliance Officer.
August 2019
Calendar of Events

<table>
<thead>
<tr>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
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<tr>
<td>5</td>
<td>6</td>
<td>7</td>
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<tr>
<td>Millennium ERM Committee Meeting</td>
<td>Millennium Credit Committee Meeting</td>
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<td>19</td>
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<td>21</td>
<td>22</td>
<td>23</td>
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<tr>
<td>Millennium Supervisory Committee Meeting</td>
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<td>Millennium ALCO &amp; Board Meetings</td>
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<td>26</td>
<td>27</td>
<td>28</td>
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